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15 For Dept. Use Only	ACTION AF-5	DEPT. INR/R-2 REP-1 IRC-8 E-7 ICA-10 W/MSC-3
	REC'D 9/25	OTHER CIA-12 CSD-4 TR-3 ARMY-4 NAVY-3 AIR-4

SUBJECT: Libyan-American Reconstruction Commission: 23rd Meeting

JOINT EMBASSY/USOM MESSAGE

The Embassy transmits six copies of the minutes and relevant documents pertaining to the 23rd meeting of the Libyan-American Reconstruction Commission, held in Benghazi on June 17, 1958.

For the Charge d'Affaires a.i.

James H. Boughton
First Secretary of Embassy

Enclosures: 11

Minutes, 23rd meeting (6 copies)
Appendix I - "Financial Status of Programs as of 5/31/58"
Appendix II - "Analysis of FY58 U.S. Project Development Aid"

cc: Benghazi

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY J.M. Razi DATE May 6, 1982

RKL:ady:rjt

REPORTER

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ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

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OCT 7 - 1958

plus extra copy Appendix I A.

LIBYAN-AMERICAN RECONSTRUCTION COMMISSION

TWENTYTHIRD MEETING HELD IN THE LARC CONFERENCE ROOM IN BENGHAZI ON JUNE 17, 1958, AT 10 a.m.

Present:- Essayed A.R. Shaglouf (Chairman) - Permanent Under Secretary Ministry of Finance.

Essayed Fouad Kabazi - Permanent Under Secretary, Ministry of Communications.
Mr. Marcus Gordon - Director USOM/L
Mr. Frederic K. Lundy - Economic Officer, U.S. Embassy

Office of Executive Director - Mr. Erwin C. Hannum - Executive Director
Essayed Omar Yacoub - Deputy Executive Director
Mr. G. Nielsen - Engineer Inspector
Mr. Mufid Abou Hijleh - Translator
Miss Martha Higginbotham - Report Officer
Mrs. Y. Cavalli - Secretary

Others - Essayed Shamseddin Mohsen - Nazir of Finance - Tript.
Mr. C.W. Carter - Admin. of Cyrenaica
Mr. J. Higgins - L.P.D. & S.A.
Mr. C. Wright - USOM/L
Mr. Gordon Fair - USOM/L

I. REVIEW AND APPROVAL OF THE MINUTES OF THE TWENTYSECOND MEETING

1. These were approved.

II. COMMENTS BY CHAIRMAN

2. Essayed Shaglouf had no comments to make. He suggested that this item be excluded from the Agenda in the future.

III. REPORT ON STATUS OF PROGRAM (Appendix 1)

3. Mr. Hannum You have before you the Financial Status of the program as of May 31, 1958. There are some changes in ink that reflect the actions taken after the 31st May. I would like to go through the program in more detail than usual to bring you up to date on the financing. You will notice that the Special Funds which are the $4 million that have been available each year directly to the Government of Libya, and the ICA funds are identified separately. Just to give you a picture of the financial situation. When we started, in 1954 $1 million was available before LARC got under way. Then $4 million, then $3 million from ICA and in that period of time, you will recall that we had foreseen that we had $4 million available in that fiscal year and that came to a total of $12 million. Then there was $5 million available from ICA in 1956, the $4 million from Special Funds for that year and then the $16,150,000. We also have included here the $4 million for 1958 and the $4 million for 1959 fiscal year Special Funds. Actually by exchanges the 1959 amount is being replaced by other funds so that the end result is that in place of the $4 million there will be a replacement that will take it to $3,780,000. This will be made up to $1.2 million of Special Funds, $1.5 million will be available from ICA funds and must be programmed in Project Agreements, and $1.2 million will be available in local currency from the importation of commodities from which there is a 10% deduction leaving a net of $1,080,000. This makes a total of $3,780,000.

As far as the other income is concerned; some of the money in the earlier days was put in 90-day bills and ran for a period accummulating interest to a total of $67,701. Then we had the interest on the loan to the Consorzio Agrario and the income on the sale of the harvest in the Wadi Caam project, both of which amounted to $10,668; making a total of $78,369. The next thing is the pattern by which money has really been transferred to the Government of Libya, showing the dates and the times when the transfers were really made and those are the transfers into the LARC funds which are held by the National Bank in LARC's name. Up to the present time, you will see that a total of $34,728,000 has been turned over. The next item shows our actual bank situation. Prior to the establishment of the National Bank funds were deposited in Barclays Bank, but with the establishment of the National Bank we deposited the funds there retaining a small amount in Barclays Bank for some of the transfers. The next page gives a brief summary on the amounts Earmarked and Allotted and the expenditures. I want to be sure that you are clear about the additional parts of the tables which are always put at the back of the financial status report. Starting in 1956 ICA funds became available under specific Project Agreements on a Project by Project basis. It has been necessary to keep the accounts and report them clearly as to the Status of each individual project. Therefore, each month we have given you a report on those specific projects.

4. Essayed Shaglouf Everybody is satisfied with the explanation.

5. Mr. Hannum In connection with this item on the Agenda, we might discuss the program that was reviewed at the last meeting, leading to the development of Project Agreements and getting them ready for signature. The project agreement which has been circulated is a Proforma one for consideration and discussion by the members of the Commission. The specific spelling out of each project will be in accordance with the Project activity itself and that has been reviewed through the Technical Committee. These project agreements are quite similar to those of previous years but I do think that it might be important to explain to the Commission members the procedure that LARC has been following in dealing with funds in the past. Funds come from the U.S. Government on a U.S. Treasury check which is deposited in a New York bank by the National Bank of Libya to the credit of LARC. The national Bank keeps funds in at least three banks in New York. We have transferred money from a Dollar Account to a Pound Account in the National Bank as funds are required for transfer to the projects. The means by which LARC has dealt with the funds is by means of a simple set of accounts showing at all times what the Bank accounts are and when the money is to be transferred to a project. For a project to be able to draw on funds there are two pieces of paper involved. One is the standard form that was developed and approved by the Commission at its second meeting which is entitled "Request for Transfer of Funds", which is in Arabic and in English and addressed to the Executive Director's Office, in which request is made for a given amount of money to be transferred to the LARC project to cover a certain period and on the back of this form appears the specific items for which they propose to use the funds. This form is submitted by the Project Leader to the Heads of the Action Agency where it is checked and then it comes to LARC from the Central Administration Services. The second paper is the "Bank Payment Authority" which is addressed to the Commercial Manager of National Bank of Libya with copies to the action agency, the auditor general, and in the case of Joint Services one copy also goes to the Central Administration Services. As you will see, this is a simple procedure which gives all the control and information necessary .

PROPOSED PROJECT AGREEMENTS

6. Mr. Hannum read the pro-forma project agreement which was distributed and said that the language will be the same for most projects, except that for the telecommunications.

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